

**Ideas for Radical Achievement of
the Proposed Strategy**

*Draft for Discussion
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Current Business Situation

MasterCard is currently being challenged along three important dimensions:

- Market structural, regulatory and competitive issues in the U.S. market, as evidenced by the current Department of Justice scrutiny, Advanta/American Express lawsuit and recent bold market moves like the merger of Morgan Stanley/Dean Witter
- Perception of some disarray at Visa (especially Visa USA) given recent Jensen-announced organizational restructuring and senior executive departures - a potential market opportunity to seize
- Heightened strategic awareness on behalf of our Executive Committee during the recent nine-month activity on corporate strategic options. We are at an interesting cross-roads, given the discussion at the last SMG meeting, of not quite being in synchronization with Execom stated priorities, though I definitely do not believe we are "poles apart". If I take a slightly cynical view on where we are on the strategy development process net net, the Executive Committee has told us to become much more efficient at core activities, do them a lot better but don't have a lot of suggestions on the list of value-added capabilities that could really bind them to us on a sustainable basis (of course, maybe we should have come up with this list, since that's our future they're talking about).

Endgame Scenario

Using one crystal ball, you could imagine that market events could play out as follows (obviously there are lots of variations):

- DOJ discussions play out and the end-result, negotiated or otherwise, is that we agree to let competitive programs in
- Members offer up AMEX and Discover options to consumers, results being that Amex and Discover improve their GPC share at the loss of both Visa and MasterCard share.
- More M&A activities continue with Household being acquired or merged with Barnett(?), Capital One being acquired by NationsBank. The only truly independent monoline is MBNA because they have the capital adequacy and profitability dynamics to remain independent.
- Members start making more brand preference choices
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Options for the Path Forward

It would seem to me that we have at least two different options on how best to proceed given the current situation and potential views for the endgame:

- A. Incremental Approach
- B. Radical Approach.

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